



Main changes in the 2008 SNA Part I

Regional Workshop on Measuring
the Informal Sector and the Non-Observed Economy

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United Nations Statistics Division



Outline of presentation

- Main changes in the 2008 SNA
 - **Further specifications of statistical units and revisions in institutional sectoring**
 - **Further specifications of scope of transactions including the production boundary**
 - **Extension and further specification of concept of assets, capital formation and consumption of fixed capital (CFC)**
 - Further refinement of treatment and definition of financial instruments and assets
 - Further specification of scope of transactions concerning government and public sector
 - Harmonization between concepts and classifications of the SNA and BPM6
- References
- Questions



Further specifications of statistical units and revisions in institutional sectoring

United Nations Statistics Division

Producer unit undertaking ancillary activities to be recognized as a separate establishment in certain cases (para 5.41-5.42)

- Unit undertaking purely ancillary activities to be recognized as separate establishment if:
 - Statistically observable, in that separate accounts for the production it undertakes are readily available, or
 - If it is located in a geographically different location from the establishments it serves
- The ancillary establishment is classified according to its own principal activity

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Further specifications of statistical units and revisions in institutional sectoring

United Nations Statistics Division

Producer unit undertaking ancillary activities to be recognized as a separate establishment in certain cases (para 5.41-5.42)

- The value of output should be derived on a sum of costs basis, including the costs of the capital used by the unit
- The 1993 SNA treated a producer unit undertaking purely ancillary activities always as an integral part of the establishment it served

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Further specifications of statistical units and revisions in institutional sectoring

United Nations Statistics Division

Holding company (para 4.54)

- Holding company allocated to the financial corporations sector
- As described in section K class 6420 of the ISIC Rev. 4, a holding company holds the assets of subsidiary corporations but does not undertake any management activities. Such a unit therefore, produces only a financial service
- In the 1993 SNA the holding companies were recommended to be assigned to the institutional sector in which the main activity of the group of subsidiaries is concentrated

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Further specifications of statistical units and revisions in institutional sectoring

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Head office (para 4.53)

- Head office to be allocated to the institutional sector preponderant to activity of its subsidiaries
- The activities of a head office, as defined in section M class 7010 of the ISIC Rev. 4, include
 - Overseeing and managing of other units of enterprise
 - Undertaking the strategic or organizational planning and decision making role of the enterprise
 - Exercising operational control and manage the day-to-day operations of their related units
 - Such a unit therefore, produces the non-financial or financial services depending upon the nature of production of its subsidiaries

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Further specifications of statistical units and revisions in institutional sectoring

United Nations Statistics Division

Head office (para 4.53)

- The 2008 SNA therefore, recommends that the head office should be allocated to the
 - non-financial corporations sector unless
 - all or most of its subsidiaries are financial corporations, in which case it is treated by convention as a financial auxiliary in the financial corporations sector
- 1993 SNA did not give explicit guidance for treatment of head offices

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Further specifications of statistical units and revisions in institutional sectoring

United Nations Statistics Division

Sub-sectoring of the financial corporations sector revised (para 4.98-4.116)

- Nine sub-sectors to reflect new developments in financial services, markets and instruments
 - Central Bank (S121)
 - Deposit-taking corporations except the central bank (S122)
 - Money market funds (MMFs) (S123)
 - Non-MMF investment funds (S124)
 - Other financial intermediaries except insurance corporations and pension funds (ICPFs) (S125)
 - Financial auxiliaries (S126)
 - Captive financial institutions and money lenders (S127)
 - Insurance corporations (ICs) (S128)
 - Pension funds (PFs) (S129)

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Further specifications of statistical units and revisions in institutional sectoring

United Nations Statistics Division

Informal sector – presented separately within households sector

- Growing importance of informal sector both in the developing and developed economies
- Separate chapter in the 2008 SNA (Chapter 25)
 - Exhaustive coverage of economic activities
 - Data needs for policy purposes

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Further specifications of statistical units and revisions in institutional sectoring

United Nations Statistics Division

Definition of financial services enlarged (para 4.98, 6.158, 6.165)

- 1993 SNA recognized only financial intermediation services
- 2008 SNA enlarges definition of financial services to give due weight to the increase in financial services other than the financial intermediation, specifically financial risk management and liquidity transformation
- Financial services provided by money lenders recognized
 - Include services provided by unincorporated enterprises

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Further specifications of scope of transactions including the production boundary

United Nations Statistics Division

Research and Development (para 6.207)

- Research and Development (R&D) is not treated as ancillary activity
- A separate establishment should be distinguished for it when possible
- The 2008 SNA recommends that the output of the R&D should be valued at
 - Market price if purchased (outsourced) or
 - Sum of total production costs plus an appropriate mark-up representing costs of fixed assets used in production if undertaken on own account
- The 1993 SNA by convention treated the output of R&D as intermediate consumption

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Further specifications of scope of transactions including the production boundary

United Nations Statistics Division

Method for calculating financial intermediation services indirectly measured (FISIM) is refined (para 6.163-6.165)

- By convention the 2008 SNA recommends that
 - FISIM applies only to loans and deposits and
 - only when those loans and deposits are provided by, or deposited with, financial institutions
- A separate establishment should be distinguished for it when possible
- The 2008 SNA calculates the output of FISIM on loans (V_L) and deposits (V_D) only, using a reference rate (rr)
- Assuming that these loans and deposits attract interest rates of r_L and r_D respectively, the output of FISIM should be calculated as $(r_L - rr)V_L + (rr - r_D)V_D$

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Further specifications of scope of transactions including the production boundary

United Nations Statistics Division

Method for calculating financial intermediation services indirectly measured (FISIM) is refined (para 6.163-6.165)

- The 2008 SNA recommends that consumption of FISIM should be allocated between users (lenders and borrowers) treating the allocated amount either as intermediate consumption or final consumption or exports
- The 1993 SNA
 - Calculated FISIM as the difference between property income receivable and interest payable
 - Excluded from property income receivable that part which was earned using investment of own funds
 - Accepted that some countries may prefer to continue to use the convention whereby the whole of FISIM is allocated to intermediate consumption of a notional industry

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Further specifications of scope of transactions including the production boundary

United Nations Statistics Division

Output of central bank clarified (para 6.151-6.156)

- Services produced by the central bank are identified in three broad groups
 - Financial intermediation (market production)
 - Monetary policy services (non-market production)
 - Supervisory services - overseeing financial corporations
 - Can be market or non-market services depending on whether explicit fees are charged that are sufficient to cover the costs of providing such services
- 1993 SNA recommended that the services of central bank be measured on basis of receipts from fees, commissions, and FISIM
 - Resulted in unusually large positive or negative output

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Further specifications of scope of transactions including the production boundary

United Nations Statistics Division

Recording of output of non-life insurance services improved (para 6.184-6.190, 6.199, 17.13-17.42)

- Catastrophic events generate massive claims on non-life insurance corporations
- In such cases the output of the insurance activity estimated using the basic algorithm of the 1993 SNA anchored on the balance of premiums and claims (on accrual basis) could be extremely volatile (even negative)
- The 2008 SNA, therefore recommends that the output of the non-life insurance activity should be calculated using the adjusted claims and adjusted premiums supplements
 - Net premiums receivable and actual claims may no longer be equal for each period

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Further specifications of scope of transactions including the production boundary

United Nations Statistics Division

Recording of output of non-life insurance services improved (para 6.184-6.190, 6.199, 17.13-17.42)

- 3 methods to compute non-life insurance output
 - Expectations approach
 - Accounting approach
 - Cost approach
- Expectations approach
 - Ex-ante model
 - Insurers consider expectation of claims and premium supplements in setting premiums
 - Expected margin (premiums + expected premium supplements – expected claims) provides better measure of output than 1993 SNA ex-post formula

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Further specifications of scope of transactions including the production boundary

United Nations Statistics Division

Recording of output of non-life insurance services improved (para 6.184-6.190, 6.199, 17.13-17.42)

- Accounting approach
 - Output = actual premiums earned + premium supplements – adjusted claims incurred
 - Adjusted claims incurred determined by using claims due plus changes in equalization provisions and, if necessary, changes to own funds
- Cost approach
 - Use if data are not available to apply the expectations and accounting approaches
 - Output is estimated as sum of costs (including intermediate costs, labour and capital inputs) plus allowance for “normal profit”

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Further specifications of scope of transactions including the production boundary

United Nations Statistics Division

Valuation of output for own final use by households and corporations to include a return to capital (para 6.125)

- Return to capital to be included as part of the sum of costs for valuation of the output of goods and services produced for own final use by households and corporations
- No return to capital to be included when production for own final use is undertaken by non-market producers
- 1993 SNA was not explicit in including the return to capital in estimating the output of goods and services produced for own final use by households and corporations

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Extension and further specification of concept of assets, capital formation and (CFC)

United Nations Statistics Division

Change of economic ownership introduced (para 3.21, 3.26, 3.169, 10.5)

- 2008 SNA gives guidance to distinguish between legal ownership and economic ownership
- The unit entitled to the benefits in exchange from assuming the risk of the asset in case of damage, destruction and theft etc is the economic owner
- 2008 SNA recommends that assets be recorded on the balance sheets of the economic rather than the legal owner
- 1993 SNA did not explicitly define ownership

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Extension and further specification of concept of assets, capital formation and (CFC)

United Nations Statistics Division

Asset boundary extended to include R&D (para 10.103-10.105)

- The output of the R&D is capitalized as "intellectual property products"
 - Except in cases where it is clear that the activity does not entail any economic benefit to its producer (and hence owner) in which case it is treated as intermediate consumption
- Patented entities, of the 1993 SNA asset category is no longer separately identified and is subsumed into R&D assets
- Treatment of R&D giving rise to produced assets has removed the 1993 SNA inconsistency of treating the patented entities as non-produced asset but treating royalty payments as payments for services

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Extension and further specification of concept of assets, capital formation and (CFC)

United Nations Statistics Division

Extension of the assets boundary and government GCF to include expenditure on weapon systems (para 10.87, 10.144)

- Military weapon systems are seen to be used continuously in the production of defence services, even if their peacetime use is simply to provide deterrence
- The 2008 SNA, therefore, recommends that military weapon systems should be classified as fixed assets
 - Single-use items, such as ammunition, missiles, rockets, bombs, etc., delivered by weapons or weapons systems are treated as military inventories

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Extension and further specification of concept of assets, capital formation and (CFC)

United Nations Statistics Division

Extension of the assets boundary and government GCF to include expenditure on weapon systems (para 10.87, 10.144)

- The 1993 SNA treated as gross fixed capital formation all expenditures by the military on fixed assets of a kind that could be used for civilian purposes of production
 - Military weapons, and vehicles and equipment whose sole purpose was to launch or deliver such weapons, were not treated as gross fixed capital formation but as intermediate consumption

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Extension and further specification of concept of assets, capital formation and (CFC)

United Nations Statistics Division

Asset category "computer software" modified to include databases (para 10.110-10.114)

- 1993 SNA asset category "computer software" modified in 2008 SNA to "computer software and databases"
- 2008 SNA provides explicit guidance on valuation of computer software and databases purchased from market or developed in-house
 - Purchased from market – purchasers' prices
 - Developed in-house – basic price or sum of costs (including a return to capital for market producers)
- The 2008 SNA recommends treating all databases with a useful life of more than one year as fixed assets
- The 1993 SNA only recognized "large" databases as assets

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Extension and further specification of concept of assets, capital formation and (CFC)

United Nations Statistics Division

Revised classification of assets introduced – produced assets (Chapter 10)

- Within buildings and structures, a category has been added for land improvements. This replaces the 1993 SNA term "major improvements to non-produced non-financial assets". The costs of ownership transfer on all land are to be included with land improvements
- The information, computer and telecommunications (ICT) equipment has been included as a new category under machinery and equipment
- Weapons systems are recognized as produced assets and classified separately
- The term "intangible fixed assets" has been renamed as "intellectual property products". The word "products" is included to make clear that it does not include third party rights which are non-produced assets in the SNA

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Extension and further specification of concept of assets, capital formation and (CFC)

United Nations Statistics Division

Revised classification of assets introduced – produced assets (Chapter 10)

- R&D products are included within intellectual property products
- The item "mineral exploration" has been renamed to "mineral exploration and evaluation" to emphasize that the coverage conforms to the international accounting standards
- Computer software has been modified to include databases
- The term "other intellectual property products" replaces "other intangible fixed assets"
- The only change to inventories is to show military inventories separately

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Extension and further specification of concept of assets, capital formation and (CFC)

United Nations Statistics Division

Revised classification of assets introduced – non-produced assets (Chapter 10)

- The "tangible non-produced assets" of the 1993 SNA are renamed as "natural resources"
- Other natural resources such as the radio spectrum has been added
- The "intangible non-produced assets" has been split into two sub-categories, namely, "contracts, leases and licences" and "goodwill and marketing assets"
- Contracts, leases and licences has been split into four sub-categories
 - Marketable operating leases,
 - Permissions to use natural resources,
 - Permissions to undertake specific activities, and
 - Entitlement to future goods and services on an exclusive basis

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Extension and further specification of concept of assets, capital formation and (CFC)

United Nations Statistics Division

Mineral exploration and evaluation (para 10.106-108)

- The 2008 SNA maintains the distinction between the act of exploring for mineral resources (treated as a produced asset) and the mineral resources themselves (treated as non-produced assets)
- The term "mineral exploration" has been renamed as "mineral exploration and evaluation" to match the term used in the International Accounting Standards

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Extension and further specification of concept of assets, capital formation and (CFC)

United Nations Statistics Division

Mineral exploration and evaluation (para 10.106-108)

- The "intangible non-produced assets" has been split into two sub-categories, namely, "contracts, leases and licences" and "goodwill and marketing assets"
- The 2008 SNA gives guidance that
 - Mineral exploration and evaluation should be valued at market prices if purchased or
 - At the sum of costs plus an appropriate mark-up if undertaken on own account

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Extension and further specification of concept of assets, capital formation and (CFC)

United Nations Statistics Division

Land improvements (para 10.79-10.81)

- Land improvements continue to be treated as gross fixed capital formation
- The 2008 SNA recommends treating land improvements as a category of fixed assets distinct from the non-produced land asset as it existed before improvement
- In cases where it is not possible to separate the value of the land before improvement and the value of those improvements, the land should be allocated to the category that represents the greater part of the value

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Extension and further specification of concept of assets, capital formation and (CFC)

United Nations Statistics Division

Land improvements (para 10.79-10.81)

- The costs of ownership transfer on all land are to be included in the land improvements
- The 1993 SNA recorded improvements to land as gross fixed capital formation, but in the balance sheet such improvements were included with land itself

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References

United Nations Statistics Division

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 - SNA News and Notes, Number 37, December 2014 (<http://unstats.un.org/unsd/nationalaccount/sna/nn37-en.pdf>)
- Intellectual property products
 - Handbook on Deriving Capital Measures of Intellectual Property Products (<http://www.oecd.org/std/na/44312350.pdf>)
 - Manual on measuring Research and Development in ESA 2010 (<http://ec.europa.eu/eurostat/documents/3859598/5937049/KS-GQ-14-004-EN.PDF>)
- Output of central bank clarified
 - SNA News and Notes, Number 36, May 2013 (<http://unstats.un.org/unsd/nationalaccount/sna/nn36-en.pdf>)

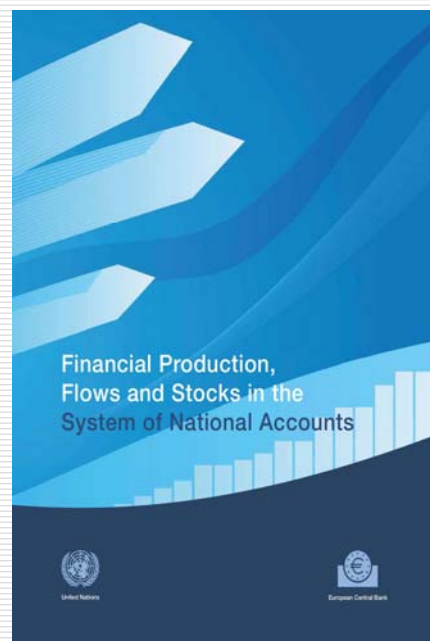
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References

United Nations Statistics Division

- Calculation and allocation of output of financial services
 - Handbook on Financial Production Flows and Stocks in the System of National Accounts (<http://unstats.un.org/unsd/nationalaccount/docs/FinancialHB.pdf>)
 - Table 3.1 summarizes the methods to calculate output of financial corporations
 - Chapter 3 has illustrative worked examples on production and allocation of output of financial services



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Thank you